

FINET - Overview

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Purpose

This policy gives an overview of the FINET system that provides the accounting and procurement functionality to support the state of Utah's business activities. Details about the background information provided in this overview are found in the various policies and procedures in this manual.

Background

The Background section is divided into the following five areas: Functionality, Account Code Structure, Data Entry, Data Access, and Technical Environment.

1. Functionality

FINET provides the accounting functionality to support the State of Utah's business activities in a user friendly environment. This includes budgeting, general ledger, purchasing, encumbrance, accounts payable, accounts receivable, grant accounting, project accounting, and cost accounting capabilities.

FINET provides the means to track and update financial information in the following functional areas:

- ◆ Expenditure Accounting and Accounts Payable
- ◆ Purchasing
- ◆ Revenue Accounting and Accounts Receivable
- ◆ Cost Accounting
- ◆ Grant and Project Accounting
- ◆ Appropriation and Budget Control
- ◆ General Accounting
- ◆ Inventory Control
- ◆ Fixed Assets

A brief description of the functionality of each of these areas is shown below. For more detailed information, see the appropriate sections of this manual.

Expenditure Accounting and Accounts Payable

Expenditure accounting and accounts payable functions include those activities related to the processing of expenditures, vendor payment scheduling and warrant processing. The business activities include:

- ♦ Scheduling payments to maximize the State's cash flow
- ♦ Paying vendors
- ♦ Applying discounts when available
- ♦ Grouping payments to a single vendor
- ♦ Maintaining vendor information for reporting, historical research and 1099 purposes
- ♦ Establishing and maintaining spending budgets
- ♦ Tracking accounts payable
- ♦ Relieving encumbrances when payment is initiated

Purchasing

Purchasing includes those business processes which support the State's entire procurement process. The business activities include:

- ♦ Pre-encumbrance and encumbrance accounting
- ♦ Requisitioning
- ♦ Matching purchase orders, invoices, and receipts (optional)
- ♦ Printing purchase orders
- ♦ Processing bids
- ♦ Establishing and maintaining State and agency contracts
- ♦ Ordering based on commodities
- ♦ Commodity history information
- ♦ Managing vendor information

Revenue Accounting and Accounts Receivables

The revenue and accounts receivable processes involve the management of revenues and billing/collection procedures. The business activities include:

- ♦ Budgeting for estimated revenues
- ♦ Accruals and cash accounting
- ♦ Processing and tracking accounts receivable
- ♦ Printing invoices
- ♦ Cash receipting
- ♦ Reconciling bank accounts

Cost Accounting

The cost accounting functions support the gathering of all costs and revenues relating to specified cost centers. This is accomplished by using additional coding elements from the FINET account code structure. The business activities include:

- ♦ Establishing cost center budgets
- ♦ Collecting direct and indirect costs
- ♦ Distributing cost data
- ♦ Reporting on cost centers for management purposes

Grant and Project Accounting

Grant and project accounting involves maintaining accounting records necessary to support grants and other reimbursable program reporting. The business activities include:

- ♦ Budgeting and accounting for grants and projects
- ♦ Reporting grants and projects
- ♦ Allocating costs
- ♦ Non-state fiscal year reporting
- ♦ Grant and project life-to-date reporting
- ♦ Supporting CMIA requirements *Appropriation and Budget Control*

The appropriation and budget control processes establish spending controls and authorization levels. They are invoked by the system every time a transaction that expends funds is processed. The business activities include:

- ♦ Setting up appropriations
- ♦ Managing organizational spending budgets
- ♦ Reviewing budgets
- ♦ Adjusting and transferring budgets

General Accounting

General accounting refers to all other general ledger accounting activities in addition to those listed in the previous functional areas. The business activities include:

- ♦ General ledger reporting
- ♦ Processing Journal Vouchers
- ♦ Intra-governmental accounting activities
- ♦ Monthend and yearend processing
- ♦ Auditing and control
- ♦ Comprehensive Annual Financial Report
- ♦ Reporting to external groups—Auditors, Legislature, Public and Federal agencies

Inventory Control

Inventory control supports the functions associated with purchasing, controlling, maintaining, dispensing, and reconciling inventory stock items. The business activities include:

- ◆ Requisition processing
- ◆ Inventory management
- ◆ Purchasing
- ◆ Physical inventory reconciliation

Fixed Assets

The fixed assets processes involve maintaining and accounting for the state's fixed assets. The business activities include:

- ◆ Recording new fixed assets
- ◆ Managing fixed assets
- ◆ Recording changes in fixed assets, such as transfer and disposal
- ◆ Recording Depreciation

FINET provides complete functional and technical integration across modules. This means that all users have a consistent view of the system and will always operate from the same base of information. FINET eliminates incompatibilities between functions and interfacing processes. This integration is achieved through:

- ◆ Comprehensive front-end editing
- ◆ Maintenance of a single, unified data base
- ◆ Simultaneous update of all data base records
- ◆ Utilization of a single account code structure

2. Account Code Structure

The account code structure provides a mechanism for meaningful classification and retrieval of financial information. It allows managers to track the flows and balances of monies within their organizations for business purposes. Departments must give careful thought and planning into the definition of their account code structure. Departments are responsible for defining department related account codes.

The account code structure is designed to serve both statewide and individual departmental needs. Thus, certain components of the account code structure have been defined by the Division of Finance to meet Statewide needs. These codes include:

- ◆ Fund
- ◆ Agency
- ◆ Object
- ◆ Revenue Source
- ◆ Balance Sheet Account
- ◆ Appropriation Unit

Components of the account code structure that are defined by departments to meet their organizational and cost accounting needs are as follows:

- ◆ Organization
- ◆ Activity
- ◆ Reporting Category (Grants)
- ◆ Project
- ◆ Job

The specific values assigned to the account code structure are called the "Chart of Accounts." The Division of Finance is responsible for assigning values for the statewide account code structure, i.e., fund, agency, object, revenue source, balance sheet account, appropriation unit. Departments are responsible for determining the structure and values for the department defined codes listed above. Because some of the codes available to departments are not unique within the system to a given department, the Division of Finance has assigned leading characters and/or ranges of numbers to each department.

The following table provides an overview of the FINET account code structure and identifies the base codes, character size or length, and required or optional use.

Base Code	Length	Purpose	Control	Required/Optional
Fund	4	Financial	Finance	Required
Agency	3	Organizational	Finance	Required
Organization	4	Organizational	Depts.	Required
Appropriation Unit	9 (only 3 used)	Financial	Finance	Required
Balance Sheet Acct.	4	Account	Finance	Required
Object/Revenue Source	4	Account	Finance	Required
Activity	4	Cost Accounting	Depts.	Optional
Function	4	Cost Accounting	Depts.	Optional
Reporting Category	4	Grant Accounting	Depts.	Required for fed. funds
Project	8	Cost Accounting	Depts.	Optional
Job	8	Cost Accounting	Depts.	Optional

Account codes may be developed to represent either a hierarchal structure (i.e., roll-up) or a relational structure. Each of these is explained below.

Hierarchal

Several codes within the account code structure provide for multi-level hierarchies so that information can be reported at varying summary levels. The highest level within a hierarchal structure will generally be the highest level of summary for reports. Levels below the highest level within the hierarchy represent more detailed levels of accounting information. The required formats for financial reporting are accomplished using a hierarchal relationship. For example, expenditures for all governmental funds can be accumulated and reported on by defining the general fund, special revenue funds, capital project funds, debt service funds and special assessment funds with a "fund type" of

"governmental." "Fund type" is an element within the hierarchy of the fund code structure.

Example:

Fund Type (summary):	governmental
Fund (lowest):	general fund
	special revenue fund
	capital projects fund
	debt service fund
	special assessment fund

Hierarchies may be arranged in any manner, since the base level is always the lowest in the hierarchy. FINET uses the hierarchies to create reports. Departments may use the hierarchies with the Finance Data Warehouse to create custom reports.

Relational

A relational structure exists when a department defines a level or levels of an accounting code as linked to the base level code but not to the other levels of an accounting code. The levels may be defined as completely independent reporting attributes of the base code that do not roll-up to a higher level.

For example, an activity hierarchy could be set up so that data is accumulated at different levels.

Activity Category	Radio (third level)
Activity Class	Advertising (second level)
Activity	Radio Advertising (base code)

This allows departments to accumulate all radio costs and all advertising costs independently of each other. Reports based on relational or hierarchal roll-ups for department specific codes are the responsibility of each department to develop and maintain. However, several standard reports have been developed that provide roll-ups by activity and organization.

The roll-up levels for most codes have been defined statewide by the Division of Finance. When a base level code is created, related roll-up values can be entered with each base code value. Those roll-up values will be verified by FINET before the base codes will be accepted. Departments are encouraged to work with the Division of Finance for help in establishing roll-up values and relationships.

For more information, see the Account Code Structure and Cost Accounting Structure policies in the GENERAL ACCOUNTING section of this manual.

3. Data Entry

Data entry is accomplished in FINET through document entry screens and user maintained tables which use the standard windows features (e.g., multiple windows, point and click, cut and paste, copy). FINET security determines which documents or tables a user may access, what data elements may be used, and what operations may be completed.

For more information on how to use the FINET documents and tables, see the **FINET – Documents** policies and the **FINET – Tables** policies. For more information on how to enter data into specific documents or tables, see the policies in the related functional areas.

Transaction entry is also accomplished via interfaces with other systems, such as telephone and data processing billings.

4. Data Access

Access to data in FINET is accomplished through three main methods – on-line queries using the FINET tables, standard FINET reports, and the Finance Data Warehouse.

Users can access various query tables that provide easy access to current information relating to all functional areas in FINET. Users can also view transactions that have been entered but have not yet posted. This includes entries requiring additional approval, data elements, corrections, or scheduling. For more information, see the **FINET - Documents** policies.

Users receive standard reports from FINET. For more information, see the **Reports** policies.

The Finance Data Warehouse allows users statewide to access information quickly and efficiently via the Internet. It provides agencies with access to a data base of financial information for inquiry and ad hoc reporting.

For more information about the Finance Data Warehouse, see the **Data Warehouse – Overview** policy.

5. Technical Environment

FINET operates in Windows 3.11, Windows 95, and Windows NT. It requires a communication link to the mainframe via terminal emulation or TCP/IP. In order to access the on-line system, users must have appropriate hardware and software, as well as a link to the mainframe via the State's Wide Area Network (WAN), a department's LAN, or through a gateway. For more information, contact the Division of Finance.

Note: The information in the FINET section of this manual is taken primarily from American Management Systems' Advantage 2000 documentation. The Division of Finance has obtained written permission to include information from these manuals in the Accounting Policies and Procedures manual. Copying or distributing any information in these sections of the manual (FINET, Using FINET, Transaction Processing, and Master Tables inquiry), for use outside State Government, without the written consent of American Management Systems and the Division of Finance.